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Chair: Ms. King ..... (Saint Vincent and the Grenadines)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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The meeting was called to order at 3.05 p.m.

Tribute to the memory of King Bhumibol Adulyadej of Thailand

1. On behalf of the Committee, **the Chair** paid tribute to the memory of King Bhumibol Adulyadej of Thailand.

2. **Ms. Wairatpanij** (Thailand) expressed appreciation for the tribute paid to the memory of King Bhumibol Adulyadej.

Agenda item 134: Programme budget for the biennium 2016-2017 (*continued*)

International Public Sector Accounting Standards (A/71/226 and A/71/542)

3. **Mr. Guazo** (Director, Accounts Division), introducing the ninth progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations (A/71/226), said that the report focused on IPSAS sustainability and addressed the strengthening of internal controls, IPSAS benefits realization and the strengthening of Umoja as the backbone for IPSAS-compliant accounting and reporting. It also introduced the plan to institutionalize the United Nations IPSAS project by 31 December 2017. At the United Nations, all the financial statements for 2014 and 2015 had received unqualified audit opinions.

4. At the United Nations system-wide level, the report discussed the efforts to achieve increased harmonization of IPSAS-compliant accounting and reporting across United Nations system organizations, as well as collaboration platforms and tools to share information and best practices.

5. In July 2015, the Management Committee had endorsed a five-pillar plan to support IPSAS sustainability, aimed at ensuring that IPSAS compliance could be maintained, and to support the use of IPSAS-triggered information to better manage the Organization. Progress had been made in introducing a Statement on Internal Controls, the ongoing work on the IPSAS policy framework, corporate guidance and the Finance Manual, the management of IPSAS benefits, and the deployment of Umoja to support asset accounting in field missions. The IPSAS team was driving implementation of the sustainability plan; its residual functions would be institutionalized by the end of 2017.

6. Those achievements were the result of continued strong oversight, risk management and progress reviews by the IPSAS Steering Committee. The Management Committee had continued to provide strategic direction and promote commitment to management reform. The Independent Audit Advisory Committee (IAAC) would continue to assist the General Assembly in fulfilling its oversight responsibilities on IPSAS-related issues until the end of the project life cycle.

7. The IPSAS team as a separate organizational unit would be decommissioned on 31 December 2017. However, as pointed out in the seventh progress report of the Secretary-General (A/69/367), it had been recognized that, beyond the post-implementation phase of the IPSAS project, there would remain a need to maintain a supporting structure within the Organization to ensure the long-term sustainability of IPSAS compliance. To that end, a review had been undertaken to identify the residual functions of the IPSAS team that should be institutionalized to support continued IPSAS compliance, including the closer integration of IPSAS-compliant processes in the day-to-day operations of the Organization. It was proposed that a supporting structure to drive continued IPSAS compliance should be established in the Office of Programme Planning, Budget and Accounts, to be staffed from currently approved resources: three regular budget posts currently assigned to the IPSAS project and four posts deployed from the Financial Reporting Service of the Accounts Division.

8. The IPSAS implementation project indicative budget was $27 million, prior to detailed planning of sustainability activities. Expenditure to 30 June 2016 had been $24 million. An additional $2.5 million had been approved under the 2016/17 peacekeeping support account, in combination with the already approved $1.24 million regular budget resources for the biennium 2016-2017.

9. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/542), said that the IPSAS project was a success on which the Secretariat was to be commended. The Advisory Committee welcomed

the reported improvements in United Nations financial accounting and reporting resulting from the implementation of IPSAS. It took note of the ongoing implementation of all pillars of the IPSAS sustainability plan, including benefits management, and expressed the view that future reporting on IPSAS benefits should include concrete examples supported by quantitative measurements. The Advisory Committee stressed the role of managers in ensuring the delivery of IPSAS benefits and in implementing the Organization-wide internal control framework.

10. The Advisory Committee noted the progress made in the development of the Umoja business planning and consolidation module and the Umoja asset accounting process. Lastly, the Advisory Committee recognized the need to maintain a supporting structure to drive IPSAS sustainability activities, and would consider the proposed structure and make recommendations to the General Assembly when it considered the relevant budget proposals.

11. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group welcomed the progress made in the implementation of IPSAS over the past year, including the improvements in the Organization's financial accounting and reporting, and expected those improvements to lead to even greater efficiency, effectiveness and accountability in the management of the Organization's resources. The Group noted that, during the reporting period, the accountability of senior managers for the sustainability of IPSAS had been included in the individual compacts signed between those managers and the Secretary-General. The Group looked forward to receiving detailed information in that regard.

12. With regard to benefits management, while the Group acknowledged the information on the improved stewardship of assets and liabilities, the availability of more comprehensive cost information, improved consistency and comparability, and increased transparency and accountability, it remained of the view that future reporting on those improvements should include concrete examples supported by quantitative measurements and should also be clear as to the improvements attributable to Umoja-related system enhancements and those attributable to the adoption of IPSAS. The Group shared the Advisory Committee's view that further benefits should be explored by managers as departments, offices and missions mainstreamed IPSAS in their work processes.

13. With regard to the strengthening of internal controls, the Group noted that all heads of departments, offices and missions would now be required to submit an annual assurance statement affirming that internal controls were present and functioning in their respective areas of responsibility. It also noted that the Controller had defined the Organization's three main internal control objectives as the operations objective, the reporting objective and the compliance objective. The strengthening of internal controls should be treated as a management responsibility and not just a financial reporting exercise: every effort should be made to train and equip managers with the tools necessary to establish, monitor and report on internal controls.

14. With regard to managing the regulatory framework, the Group noted the efforts of the project team to monitor and participate in the ongoing policy discussions of the IPSAS Board. It also noted the information relating to progress made in strengthening Umoja as the backbone for IPSAS-compliant accounting and reporting, in particular the automation of the financial statement process using the business planning and consolidation module and the plan to deploy Umoja in field missions for asset accounting. Previous concerns about the high level of risk involved in the transfer of data across multiple systems for the purpose of preparing financial and other statements must be addressed. In addition, efforts should be made to ensure that the sustainability of IPSAS compliance was not compromised by issues relating to the implementation of Umoja.

15. With regard to the project budget and the proposed supporting structure for the long-term sustainability of IPSAS, IPSAS implementation should be treated as a specific time-bound project and the current level of resources for the project team should not be used as a baseline for the anticipated level of resources for the post-2017 supporting structure. The Group would seek specific clarification of those matters. It also emphasized the need for the full utilization of in-house expertise on the implementation of the project. In addition, United Nations entities should continue to share lessons and best practices and address any underlying challenges relating to IPSAS implementation.

Agenda item 136: Improving the financial situation of the United Nations (*continued*) (A/71/440)

16. **Mr. Takasu** (Under-Secretary-General for Management) said that, since the cut-off date of 30 September 2016, some $61 million had been received from 30 Member States: $1.5 million for the regular budget from five Member States; $59.7 million for peacekeeping operations from 27 Member States; and $31,000 for the international tribunals from four Member States. Those payments had resulted in additions to the lists of Member States that had paid their contributions in full under different budget categories. Since the presentation on the financial situation of the United Nations (A/71/440) on 5 October 2016, three Member States had paid their regular budget assessments in full, bringing the total number to 129; two Member States had paid their peacekeeping assessments in full, bringing the total number to 27; and payments by three Member States had brought to 104 the number of Member States that had paid in full their assessments for the international tribunals. Lastly, since 5 October 2016, the number of Member States that had paid their contributions in full for all budgets had reached 27, following the receipt of payments from two Member States.

17. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group appreciated the information provided on Member States' assessments, including through the online status-of-contributions portal, which had proved to be an important tool for Member States.

18. The Group noted that, as at 30 September 2016, the level of unpaid assessed contributions to the regular budget had been $136 million, or 9 per cent, higher than the level outstanding a year earlier. The levels of unpaid assessments for peacekeeping operations and tribunals remained high but were lower as a percentage of total assessments than they had been the previous year, while the cash balances under those two categories were currently positive. The Group was encouraged that the Board of Auditors had noted that the financial health of the United Nations as a whole remained sound, with sufficient assets overall to meet both short-term and longer-term liabilities. However, it remained concerned that the regular budget cash position remained difficult, with severe cash problems projected unless sufficient contributions were received.

19. Noting that the level of outstanding payments to Member States that provided uniformed personnel and equipment for peacekeeping operations was projected to be $713 million by the end of 2016, she said that, while the Group appreciated the efforts made in that area, it remained concerned about the negative effect of delays in reimbursements to troop- and police-contributing countries, such as the effect on the maintenance of equipment in the field. Further efforts were needed in order to ensure that Member States, in particular developing countries — whose nationals often made the ultimate sacrifice — were reimbursed in full, on time and as a matter of priority, bearing in mind the challenges they faced in sustaining peacekeeping commitments.

20. The Group had consistently stated that the full, timely and unconditional payment of assessed contributions by Member States was an obligation established in the Charter. The Group strongly urged all Member States, especially those that had the capacity to settle their arrears in a timely fashion, to fulfil their financial obligations with a view to enhancing the Organization's effectiveness and efficiency in the implementation of its important mandates. The Group reiterated its rejection of all unilateral coercive measures contrary to international law that obstructed or impeded payments from its members.

21. **Mr. Gafoor** (Singapore), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), said that ASEAN commended all Member States that had made efforts to meet their financial obligations to the United Nations and was happy that overall financial indicators for 2016 were generally sound. However, it was deeply concerned by the increase in the amount of unpaid assessments for the regular budget and the projected impact on the Organization's cash position in the closing months of the year. ASEAN sympathized with the predicament of some Member States, particularly developing countries, which faced genuine difficulties in paying their assessments, but encouraged all Member States with unpaid assessments to meet their financial obligations in full, on time and without preconditions. Failure to do so compromised the Organization's ability to implement its mandates effectively. ASEAN was pleased to note that the quantum of outstanding payments to Member States contributing troops, police

and equipment to peacekeeping missions had decreased by almost half in comparison with 2015 and applauded the Secretariat's commitment to meeting its obligations to Member States.

22. As the sole multilateral organization with global membership and universal legitimacy, the United Nations had a vital role to play in fostering solutions to complex global challenges. Member States had a responsibility to provide the Organization with the necessary resources to carry out its important work. At the same time, the Organization must be accountable to its Member States, and the Secretariat must ensure that their collective contributions were managed honestly, transparently and efficiently. ASEAN would work with the Secretariat and Member States to that end.

23. **Ms. Grant** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia and the former Yugoslav Republic of Macedonia; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia, Liechtenstein, the Republic of Moldova and Ukraine, said that guaranteeing the financial health of the United Nations was a responsibility shared between Member States and the Organization that was fundamental to the capacity of the United Nations to fulfil its numerous mandates and missions. The promotion of sound financial management at the United Nations was a priority for the European Union. It was each Member State's responsibility to pay its assessed contributions in full, on time and without conditions.

24. The European Union noted with concern that the level of unpaid contributions to the regular budget was higher in 2016 than in the previous year and that fewer Member States had paid in full. The Controller had been very clear in her assessment of the impact: severe cash problems would be experienced in the final months of 2016 unless sufficient contributions were received. The European Union encouraged Member States to pay their assessed contributions in full as soon as possible. A small number of Member States were responsible for a large proportion of unpaid regular budget assessments; they should rectify the situation as a matter of priority.

25. With regard to peacekeeping, significant arrears persisted, which impacted negatively on the Organization's ability to meet its obligations to Member States providing troops and equipment. The European Union was pleased to note that the projected year-end level of outstanding payments to those Member States represented a decrease compared with 2015, but there was room for further improvement. Moreover, while an increased number of Member States had paid their assessed contributions to the international tribunals, there were significant difficulties in securing voluntary contributions for the tribunals.

26. Financial health depended not only on the reliable receipt of funds but also on the standards applied in spending those funds. The United Nations must continue its efforts to spend more wisely and accountably in line with agreed budget levels. The member States of the European Union were committed to providing the Organization with the necessary resources to conduct its work. At the same time, there was substantial scope for improving the way it operated by seeking further savings and efficiencies and by promoting the meaningful reprioritization of activities and delivery of results.

27. **Mr. Hampton** (New Zealand), speaking also on behalf of Australia and Canada, said that the three delegations were pleased to note that the financial situation of the United Nations was sound and that a decrease in outstanding payments under the peacekeeping budget was forecast. It was also heartening to hear that further assessed contributions had been received since the presentation on 5 October 2016.

28. Unpaid assessed contributions placed a financial burden on troop-, police- and equipment-contributing countries and resulted in inequity between Member States that had paid their assessed contributions in full and on time and those that had not. Timely payments for contributions to peacekeeping operations and for letters of assist and death and disability claims depended on Member States' meeting their financial obligations to the United Nations in full and on time. The three delegations commended the Secretariat for continuing to prioritize swift payment to Member States despite the difficulties caused by the late receipt of assessed contributions.

29. Unpaid assessed contributions also had a significant adverse impact on the Organization. As reserve funds were nearly exhausted, there was a risk of

severe cash problems if sufficient contributions were not received. The Working Capital Fund had been established to provide advances until contributions were received but could function properly only if those contributions were paid in full and on time. The increasing reliance on the Fund and the Special Account was also a matter of concern: the cash shortfall had grown from $31 million in 2013 to $344 million as at 30 September 2016. The three delegations would continue to demonstrate their commitment to the work of the United Nations by paying their dues in full, on time and without conditions, and they urged all Member States to do the same. At the same time, they recognized the challenges associated with differences in financial years and the timing of related national legislative processes and encouraged those Member States in arrears to submit multi-year payment plans.

30. The Organization must be provided with the resources it needed to carry out its work effectively. At the same time, a collective effort must be made to identify potential savings, improve processes and make better use of existing resources. The key to improving the financial situation of the United Nations was to ensure that its resources were managed efficiently.

31. **Mr. Sánchez Azcuy** (Cuba) said that the United Nations needed a sound financial basis in order to fulfil the purposes for which it had been established. Member States must pay their contributions in full, on time and without conditions and must spare no effort to ensure the Organization's financial stability.

32. The efforts made by many Member States to fully discharge their payment obligations — particularly developing countries, which were the most affected by the current global economic and financial situation — demonstrated their commitment to the Organization. Consideration should be given to the special circumstances of certain developing countries that prevented them from honouring their financial commitments even though they possessed the political will to do so. His delegation reiterated its call for more effective and efficient management of the financial resources made available to the Organization by Member States, particularly at a time when they were adopting austerity measures at home. Accountability, transparency and the capacity to achieve results were essential indicators.

33. Despite the obstacles that Cuba faced as a developing country, it remained fully committed to multilateralism, as demonstrated not only by its active involvement in the work of the United Nations but also by its political will to meet its financial responsibilities. However, that political will was frustrated by the economic, financial and commercial embargo that the United States of America continued to impose on his country. Although some progress had been made at the bilateral level since the re-establishment of diplomatic relations just over a year previously, the embargo remained in force and continued to cause serious harm and hardship to the Cuban people and to hamper the economy and relations with other countries. The executive measures adopted by the United States Government, though positive, were not sufficient. His Government was prevented by the embargo from paying its dues to the Organization, despite having the necessary resources and the willingness to pay. It hoped to be able to effect payment by the end of the year. In that regard, he thanked the Secretariat for its cooperation and support in attempting to find alternative solutions and reiterated its determination to honour its obligations to the Organization and its commitments under the Charter.

34. **Mr. Abdallah** (Chad), speaking on behalf of the Group of African States, said that the Group noted the Secretariat's efforts to improve the management of resources and commended those States that had facilitated those efforts by paying their budget contributions in full. However, the late payment of contributions by some States had a serious impact on the Organization's cash position. A special approach was needed to help States that were in arrears to discharge their obligations.

35. The Group was also concerned at the delays in payments to troop- and equipment-contributing countries. While recognizing that those payments were dependent on the receipt of assessed contributions from Member States, the Group encouraged the Secretariat to make additional efforts in that regard and to ensure that available budget resources were prudently managed.

36. **Ms. Gouret Verschueren** (France) said that France had paid the majority of its assessed contributions, yet was on the list of countries in arrears in the payment of peacekeeping assessments as at

30 September 2016 in respect of assessments issued between July and September 2016.

37. With its proven commitment to the United Nations, her country attached great importance to the financial health of the Organization and was concerned at the cash flow situation of certain peacekeeping missions. France would therefore make a payment of $240 million at the end of October 2016 for the financing of peacekeeping operations, which would cover its outstanding assessments in full, as well as $62 million in advance in respect of assessments issued after 30 September 2016. Lastly, noting with concern the cash position of the regular budget, she underscored that France had paid in full its assessments for the regular budget, the international tribunals and the capital master plan.

38. **Mr. Fu** Daopeng (China) underscored the fundamental importance of financial resources in supporting the functioning and role of the United Nations, and welcomed the generally positive financial situation of the Organization. Commending those Member States that had paid their regular budget and peacekeeping assessments in full, he was nevertheless concerned by the level of unpaid assessments under those categories, totalling $1.189 billion and $2.341 billion, respectively, as at 30 September 2016, both higher than as at 2 October 2015. Moreover, the regular budget cash shortfall of $344 million as at 30 September 2016 far exceeded the shortfalls recorded as at 2 October and 31 December 2015, a situation that would worsen by year-end unless further payments were received. He called on all Member States to pay their assessed contributions in full, on time and without conditions to allow the Organization to deliver its mandates.

39. Countries possessing the requisite resources, in particular developed countries with high assessments, should pay their outstanding assessments without delay. His delegation was sympathetic to countries facing economic and fiscal difficulties, particularly least developed countries, and supported the continued application of Article 19 of the Charter to accommodate their situation.

40. While China had maintained relatively high economic growth rates in recent years, internal and external challenges exerted heavy pressure on its economy, sharply increasing the need for financial resources to support economic development, poverty reduction and a better standard of living. Notwithstanding the 54 per cent increase in China's assessed contribution to the regular budget from 5.148 per cent to 7.921 per cent as a result of the adoption of the new scale of assessments for 2016-2018, it had paid all of its assessments on time and in full, a testament to its firm support for the Organization.

41. The Secretariat must take a rational, scientific approach to budget formulation, improve budget management and optimize budget expenditure, and devote greater resources to development and the priorities of developing countries. In addition, financial discipline, oversight and accountability must be strengthened with a view to making effective use of every penny paid by the taxpayers of Member States.

42. **Mr. Imada** (Japan) stressed the need for Member States to pay their assessments on time and in full. Despite its long-standing financial difficulties, his Government had faithfully met its international commitments and its financial obligations to the Organization, thereby contributing to international peace and prosperity.

43. The General Assembly must consider all proposed resource requirements with a view to formulating a realistic budget that was adequate to ensure effective mandate delivery. In particular, in reviewing any additional requirements proposed under the programme budget for 2016-2017 or the budget outline for 2018-2019 in connection with the series of high-level commitments to be implemented by the Organization in the coming years, the Committee must exercise strict budgetary discipline to ensure efficient, effective and accountable use of resources.

44. **Mr. Augusto** (Angola) noted that cash positions were positive for all budget categories, with the exception of the regular budget, where cash levels were low and reserves almost exhausted. Severe cash problems would be experienced by year-end unless timely contributions were received, in which connection he noted the high level of unpaid regular budget assessments to date. Acknowledging the Secretariat's efforts to expedite reimbursement to States that provided troops, formed police units and contingent-owned equipment, he emphasized the need for Member States to meet their financial obligations in

full and on time to ensure the Organization's financial health.

45. To avoid potential cash flow problems, he requested the Secretariat to closely monitor the regular budget cash position and urged Member States to honour their financial commitments in the coming months. While encouraged that the remaining reserves in the amount of $7 million were sufficient to cover at least six weeks of regular budget operation, he urged the Secretariat to manage them carefully and to review their adequacy in the light of the pattern of the payment of the assessed contributions of Member States and the level of commitment authority. He also noted with satisfaction the sound overall financial health of the Organization, despite the liquidity problems with respect to the regular budget, with sufficient assets to meet short- and long-term liabilities.

46. Despite the unpredictable financial requirements for peacekeeping operations owing to the changing demand for such activities, it was encouraging that contributions amounting to $8.9 billion had been received out of the total of $10.3 billion assessed for peacekeeping operations in 2016. In that regard, he noted that the amount of cash available for peacekeeping operations was approximately $5 billion, with $4.7 billion in the accounts of active missions. With regard to outstanding payments to Member States providing troops and equipment to peacekeeping operations, he urged the Secretariat to closely monitor the peacekeeping cash flow situation, with a view to maximizing quarterly payments to Member States on the basis of cash and data availability. Lastly, he commended those Member States that had paid their regular budget and peacekeeping assessments in full.

47. **Mr. Deme** (Senegal) noted the generally strong financial performance of the Organization. That situation could nevertheless become untenable and cash problems could arise at the end of 2016 if the roughly $1 billion in outstanding regular budget contributions was not paid in the next few months. Despite its limited resources and the unfavourable economic environment, his country was committed to meeting its financial obligations to the Organization, as evidenced by its continued presence at the top of the honour roll of countries that had paid their assessments in full for all budget categories.

48. The increase in the number of Member States in arrears in the payment of their assessed contributions was a matter of concern. In that regard, Member States' insistence on demonstrable results from the Organization should be matched by their commitment to meet their financial obligations on time and in full to facilitate mandate delivery. Outstanding assessments represented a considerable portion of the budget, preventing the Organization from carrying out its work and contributing to its tight cash flow situation, particularly in the light of its nearly exhausted reserves.

49. The gloomy global economic situation had obliged Member States to manage their national budgets carefully, and the United Nations should do the same in the face of its resource problems. To that end, the Organization should improve the collection of its financial resources and find innovative ways of improving the effectiveness of its activities. It should likewise be managed to the highest standards of efficiency, transparency and cost-effectiveness.

50. The high level of unpaid peacekeeping assessments would likely have a negative impact on reimbursement to troop-contributing countries, many of which were developing countries that depended on such reimbursement to train their troops and renew equipment for peacekeeping missions. Lastly, while welcoming the efforts undertaken to reduce outstanding payments to Member States that provided troops, police and contingent-owned equipment, he called for faster reimbursement to avoid penalizing such States.

Agenda item 135: Programme planning (*continued*) (A/C.5/71/L.3)

Draft resolution A/C.5/71/L.3: Programme planning

51. *Draft resolution A/C.5/71/L.3 was adopted.*

The meeting rose at 4.35 p.m.